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SUBJECT: STEYR DAIMLER PUCH GES.M.B. SIGNS HUGE COOPERATION CONTRACT
WITH
POLISH FIRM

1. ON SEPTEMBER 11, AUSTRIAN VEHICLE MANUFACTURING COMPANY STEYR DAIMLER PUCH A.G. AND POLISH FTO POL-MOT SIGNED LARGEST COOPERATION DEAL EVER BETWEEN AUSTRIAN AND EAST EUROPEAN FIRM. SIGNING WHICH TOOK PLACE AT AUSTRIAN COMPANY'S HEADQUARTERS IN STEYR IN PRESENCE OF POLISH PREMIER PIOTR JAROSZEWICZ AND MINISTER OF MACHINERY INDUSTRY WRZASZCZYK AND AUSTRIAN CHANCELLOR BRUNO KREISKY WAS REPORTEDLY PRECEDED BY THREE YEARS OF INTENSIVE NEGOTIATIONS IN WHICH BOTH JAROSZEWICZ AND KREISKY TOOK AN ACTIVE PART. FRENCH BERLIOT WORKS AND SWEDISH VOLVO CORPORATION HAD ALSO COMPETED FOR THIS CONTRACT.

2. CONTRACT WILL RUN FOR 15 YEARS AND CONSISTS OF TWO SEPARATE AGREEMENTS. FIRST AGREEMENT PROVIDES FOR DELIVERY OF GOODS, LICENSES, AND KNOW-HOW BY STEYR IN AMOUNT OF AUSTRIAN SCHILLINGS 2.95 BILLION (MORE THAN \$161 MILLION AT CURRENT EXCHANGE RATE) OVER THE PERIOD 1976-1980. FIGURE INCLUDES AS 380 MILLION (\$20.7 MILLION) FOR KNOW-HOW AND LICENSES, AS 1,450 MILLION (\$79.4 MILLION) FOR VARIOUS COMPONENTS AND PARTS, AND AS 1,120 MILLION (\$61.3 MILLION) FOR HEAVY TRUCKS. DELIVERY OF LATTER IS TO BRIDGE GAP UNTIL 1980 WHEN POLAND WILL COMPLETE WITH
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AUSTRIAN ASSISTANCE CONSTRUCTION OF A MANUFACTURING PLANT FOR

EIGHT, TEN, AND TWELVE-CYLINDER TRUCK ENGINES OF 270 TO 450 HP IN WOLA NEAR WARSAW, AS WELL AS EXPANSION OF EXISTING TRUCK PLANT IN JELCZ TO CAPACITY OF 3,000 TO 4,000 HEAVY TRUCKS PER YEAR. AGREEMENT PERMITS POLES TO SELL TRUCKS IN CMEA AREA INCLUDING CUBA AND PEOPLE'S REPUBLIC OF CHINA BUT NOT IN THE WEST. FINANCING OF PROJECTS UNDER AGREEMENT IS PROVIDED BY AS 4.3 BILLION LOAN TO BANK HANDLOWY WARSZAWA BY THE AUSTRIAN CREDITANSTALT BANK. THE CREDIT, REPORTEDLY FOR 12 YEARS AT 7.5 PERCENT INTEREST, IS TO BE GRANTED WITH AN EXPORT GUARANTEE FROM THE GOA-BACKED KONTROLLBANK.

3. SECOND AGREEMENT COVERS 1980 - 1990 AND PROVIDES FOR COUNTER-PURCHASES BY STEYR (ENGINES AND TRUCK PARTS) IN THE AMOUNT OF AS 5.2 BILLION (\$285 MILLION). AUSTRIAN NEWSPAPERS COMMENTED THAT IN VIEW OF CURRENT INFLATIONARY TRENDS NOMINALLY MUCH HIGHER AUSTRIAN COUNTER-PURCHASE OBLIGATIONS IN 1980 - 1990 ACTUALLY REPRESENT LOWER VALUE THAN THE 2.95 BILLION (\$161 MILLION) PURCHASES BY POLAND. PRESS ALSO POINTED OUT THAT AGREEMENT CONTAINS CLAUSE PERMITTING THE AUSTRIAN COMPANY TO SETTLE PURCHASING OBLIGATION BY PAYING LUMP-SUM PENALTY.

4. COMMENT: PRESENT AGREEMENT IS STEYR-DAIMLER-PUCH'S SECOND COOPERATION CONTRACT WITH POL-MOT. THE FIRST ONE IS NOT ALTERED BY AGREEMENT JUST SIGNED AND CALLS FOR STEYR TO SUPPLY 200 - 250 MEDIUM TRUCK FRAMES ANNUALLY FOR ASSEMBLY AT THE JELCZ TRUCK FACTORY TOGETHER WITH POLISH TRUCK BODIES AND ENGINES MANUFACTURED IN POLAND UNDER BRITISH LEYLAND LICENSE. NEW AGREEMENT EXTENDS COOPERATION TO MANUFACTURE OF HEAVY TRUCKS. POLAND IS SECOND LARGEST TRUCK PRODUCER AFTER THE USSR IN CMEA AREA, WHERE REQUIREMENTS FAR IN EXCESS OF DOMESTIC PRODUCTION. WHETHER EXPANSION OF POLISH TRUCK PRODUCTION UNDER THIS CONTRACT WILL AFFECT PLANS TO BUILD JOINT CZECHOSLOVAKIAN-HUNGARIAN-POLISH-USSR TRUCK PLANT ON SOVIET TERRITORY AS REPORTED IN THE EASTERN EUROPEAN PRESS AT THE END OF 1974 IS NOT CLEAR. BUCHANAN

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